

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADOPTION OF A NEW UNIFORM SYSTEM)	ADMINISTRATIVE
OF ACCOUNTS FOR KENTUCKY TELEPHONE)	CASE NO. 310
COMPANIES)	

O R D E R

Upon review of: (1) the responses to the Order of March 4, 1987; (2) the request of the Independent Telephone Group ("ITG") of March 26, 1987, for an extension of time in which to file information and; (3) informal communication between the Commission staff and members of the Kentucky Telephone Association ("KTA") while attending the KTA accounting seminar of May 27 and 28, 1987, the Commission is of the opinion that additional information is required in this matter.

As the information previously filed shows, many of the respondents intend to run the new Part 32 USoA on a concurrent basis with the existing system of accounts during the fourth quarter of calendar year 1987. The Commission, therefore, is mindful of the time constraints herein and intends if possible to issue a Final Order in this matter prior to the end of the third quarter of calendar year 1987. In order for this to be accomplished all responses to this Order must be filed on a timely basis by August 7, 1987. Such timely filing of responses is necessary

to allow for the scheduling of a hearing in this matter, if a hearing is deemed necessary.

DISCUSSION

Upon review of the major issues previously identified in the Order of March 4, 1987, and the references in paragraph No. 1 of this Order, the Commission will require the following information:

1. Based on the responses previously filed and the observations and information from the KTA accounting seminar the Commission is inclined to require that all carriers adopt the Part 32, Class A, USOA. While recognizing that many Class B carriers will not have need for all Class A accounts, the Commission believes the Part 32, Class B, USOA to be inadequate for the needs of Kentucky's Class B carriers as well as the needs of the Commission. Under such a scenario the Commission would require the use of the Class A, Part 32, USOA by all carriers, but would, on a case-by-case basis, consider deviations for Class B carriers showing need for specific modifications. Please comment as you deem appropriate.

2. For those carriers unable to respond previously or for those wishing to update the earlier response, provide:

(a) An estimate of the cost to implement the four-digit account numbering system.

(b) An estimate of the expected shift of costs from capitalization to expense on an annual basis by account (or expense category).

(c) The expected additional annual revenue requirement resulting from a complete adoption of the Class A accounting system for calendar year 1986, and the anticipated changes for 1987 and 1988 using budgeted figures.

3. The Commission is greatly interested in the amounts of the projected capital to expense shifts reflected in the responses to the Order of March 4, 1987, and the impact of these shifts on revenue requirements should the Commission accept the Part 32 USOA without any modification. By way of modification, the Commission could reject the capitalization changes included in Part 32 or require a phase-in of the capitalization changes over a three-to-five year period as was proposed by several commenters in the FCC proceeding. Specifically, the Commission questions the fairness of increasing rates for Kentucky intrastate ratepayers simply because of an accounting change mandated by the FCC for interstate rate-making purposes. The Commission requests comments on the possible rejection of capitalization changes and the possible phase-in of the capitalization modifications.

4. The responses of March 4, 1987, reflected a wide range of capital to expense shifts regarding computer software with expenses generally decreasing due to the Part 32 capitalization requirement for software expenditures having a benefit that extends beyond the current accounting period. However, these were exceptions to the general responses which showed software expenses increasing because of implementing the Part 32 USOA. For any such responses already filed or for similar responses filed in answer to Item 2(b) of this Order provide a detailed explanation of why

software expenses will be greater under Part 32 than under the current Part 31 USoA. At minimum, the explanation should show the total amount of software expenditures, either actual or projected, for the period in question; the portion that would be capitalized under both Part 31 and Part 32; and references to the applicable portions of Parts 31 and 32 that prescribes the accounting treatment that results in a greater expense under Part 32.

5. Another issue identified in the Order of March 4, 1987, is the accounting for transactions with affiliates. The Commission is concerned about the absence of separate balance sheet accounts for the reporting of receivables from or payables to affiliates. The Commission is also giving consideration to requiring the continued use of Part 31 - Account 174, General Services and Licenses, or using a similar account for tracking costs of services provided by affiliates. The Commission requests comment on these possible modifications.

SUMMARY

The Commission, based on the evidence of record and being advised, is of the opinion and finds that:

1. All utilities participating in this proceeding which will be under the Part 32 USoA shall file responses and/or comments to this Order by no later than August 20, 1987.

2. Any intervenors should file reply comments by no later than August 31, 1987.

IT IS THEREFORE ORDERED that the affected utilities and intervenors in this case shall file any information or comment according to findings Nos. 1 and 2 of this Order.

Done at Frankfort, Kentucky, this 3rd day of August, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Weman, Jr.
For the Commission

ATTEST:

Executive Director